

Message Text

CONFIDENTIAL

PAGE 01 STATE 065581

17

ORIGIN EB-02

INFO OCT-01 EUR-02 ISO-00 /005 R

66604

DRAFTED BY EB/ORF:LBUTCHER:MW

4/2/74 EXT. 27953

APPROVED BY EB/ORF/FSE:GBENNSKY

----- 053033

R 021459Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY ROME

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 065581

FOLLOWING SENT SECSTATE WASHDC INFO BRUSSELS OECD PARIS TOKYO

EC BRUSSELS FROM BONN 29 MAR 74:

QUOTE C O N F I D E N T I A L BONN 05146

E.O. 11652: GDS

TAGS: ENRG, GW

SUBJECT: ECG - PRODUCER/CONSUMER RELATIONS AND
RELATIONS WITH DEVELOPING COUNTRIES

THE ECONOMICS MINISTRY HAS PROVIDED US IN CONFIDENCE
WITH A COPY OF A WORKING PAPER IT HAS PREPARED ON THE
ABOVE SUBJECT. SINCE IT HAS NOT YET CLEARED THIS PAPER
WITH THE JAPANESE, IT ASKS THAT WE NOT DIVULGE ITS
CONTENTS TO OTHER DELEGATIONS. THE TEXT OF THE PAPER
FOLLOWS.

BEGIN TEXT WORKING PAPER

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 065581

THE PROSPECTS FOR ACCELERATED INDUSTRIALISATION

AND SOCIO-ECONOMIC DEVELOPMENT IN THE PRINCIPAL
PRODUCING AREAS, AND THE IMPLICATIONS FOR GLOBAL
PATTERNS OF INTERNATIONAL TRADE AND INVESTMENT

SUBMITTED BY THE GERMAN DELEGATION IN COOPERATION
WITH THE JAPANESE DELEGATION

1. THIS PAPER DEALS ONLY WITH THE OPEC COUNTRIES.
IT ASSESSES THESE COUNTRIES' DEVELOPMENT PROSPECTS
(A) AND THEN THE EFFECTS ON THE WORLD ECONOMY (B).
IT THEN DRAWS FIRST CONCLUSIONS (C).

A. PROSPECTS FOR DEVELOPMENT IN THE OIL-PRODUCING
COUNTRIES

I. PRE-CONDITIONS FOR INDUSTRIALISATION AND
SOCIO-ECONOMIC DEVELOPMENT

2. IF INDUSTRIALISATION AND DEVELOPMENT ARE TO BE
ACCELERATED, A COMBINATION OF VARIOUS PRE-CONDITIONS
IS REQUIRED, IN PARTICULAR:

- CAPITAL FOR DEVELOPING PRODUCTIVE INDUSTRIAL
CAPACITY,
- ECONOMIC AND SOCIAL INFRASTRUCTURE,
- A LABOUR FORCE OF SUFFICIENT SIZE AND QUALITY,
- MANAGEMENT WITH THE NECESSARY KNOW-HOW AT ITS
DISPOSAL,
- RAW MATERIALS FOR PROCESSING;
- SUITABLE SITES FOR INDUSTRY,
- THE POLITICAL WILL IN THE COUNTRIES THEMSELVES
TO ACCELERATE INDUSTRIAL AND SOCIO-ECONOMIC
DEVELOPMENT.

3. NO PARAMETERS ARE AVAILABLE WHICH WILL SHOW IN
DETAIL TO WHAT EXTENT AND IN WHAT COMBINATION THE
ABOVE PRE-CONDITIONS EXIST IN THE OPEC COUNTRIES.
THE PROSPECTS FOR ACCELERATED DEVELOPMENT IN THESE
COUNTRIES CAN ONLY BE GUESSED AT WITH THE AID OF A
FEW POINTERS.

THE INDICATORS CHOSEN - ALTHOUGH THEY ARE NECESSARILY
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 065581

FRAGMENTARY BECAUSE OF THE LIMITED DATA AND
INFORMATION AVAILABLE - ARE:

- REVENUE FROM OIL EXPORTS AND GROSS NATIONAL
PRODUCT PER HEAD, AS ROUGH GUIDES TO THE AMOUNT OF
CAPITAL PRESENT (TABLE L);
- POPULATION FIGURES AS A POINTER TO THE POTENTIAL
LABOUR FORCE (TABLE 2);

- THE COUNTRIES' DEVELOPMENT PLANS AS A SIGN OF THE POLITICAL WILL TO ACCELERATE DEVELOPMENT;
- THE MOVEMENT OF IMPORTS TO THE OPEC COUNTRIES (TABLE 3).

THIS MOVEMENT, WHICH HELPS TO IMPROVE THE COMBINATION OF PRODUCTION FACTORS GIVES SOME IDEA OF THE SIZE OF THE COUNTRIES' ABSORPTIVE CAPACITY. IT ALSO GIVES AN INDICATION OF THE PROBABLE TIME SCALE OF ACCELERATED DEVELOPMENT.

II. PROSPECTS FOR DEVELOPMENT IN THE OPEC COUNTRIES

4. TABLES 1 TO 3 SHOW THAT THE PRE-CONDITIONS FOR DEVELOPMENT VARY WIDELY FROM COUNTRY TO COUNTRY WITHIN THE OPEC GROUPING. IT IS THUS NECESSARY TO DIVIDE THE COUNTRIES INTO GROUPS:

A. OIL-PRODUCING COUNTRIES WITH HIGH PER CAPITA INCOMES

BECAUSE OF THEIR RAPIDLY INCREASING REVENUE FROM OIL EXPORTS, THESE COUNTRIES ARE WELL PROVIDED WITH CAPITAL TO FINANCE DEVELOPMENT. THE OTHER PRE-CONDITIONS, HOWEVER, ARE NOT MET. THEY ARE THINLY POPULATED AND THEIR POTENTIAL LABOUR FORCES ARE THEREFORE INSIGNIFICANT; THEY LACK TECHNICAL AND MANAGERIAL KNOW-HOW, HAVE TRADITIONALLY-BASED SOCIAL STRUCTURES, POSSESS NO RAW MATERIALS WITH THE EXCEPTION OF ENERGY, DO NOT YET DISPOSE OF AN EFFICIENT TRANSPORT NETWORK, ETC. FULLY ELABORATED LONG-TERM DEVELOPMENT PLANS DO NOT YET EXIST. SPECIAL ADDITIONAL EFFORTS WILL BE NEEDED TO PUSH FORWARD

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 065581

THE ESTABLISHMENT OF INDIGENOUS INDUSTRIES. A START MIGHT BE MADE WITH INVESTMENT IN ENERGY-INTENSIVE INDUSTRIES AND OIL-PROCESSING PLANT. SUCH EFFORTS WOULD CALL FOR THE EMPLOYMENT OF FOREIGN SPECIALISTS.

B. OIL-PRODUCING COUNTRIES WITH MEDIUM PER CAPITA INCOMES

THIS GROUP OF OPEC COUNTRIES PROBABLY FULFILLS THE PRE-CONDITIONS FOR ACCELERATED DEVELOPMENT BETTER. SUFFICIENT CAPITAL IS PRESENT. LABOUR IS AVAILABLE. SOME OF THESE COUNTRIES ALREADY HAVE LONG-TERM DEVELOPMENT PROGRAMMES AND FUNCTIONING TRANSPORT SYSTEMS. HOWEVER, ALL THE COUNTRIES IN THIS GROUP ARE LIKELY TO HAVE SERIOUS DIFFICULTIES IN OBTAINING

TECHNICAL AND MANAGERIAL KNOW-HOW AND MAKING IT
AVAILABLE. INDUSTRIALISATION WILL CONCENTRATE ON

THE PROCESSING OF LOCAL RAW MATERIALS. CONSIDERATION
MIGHT ALSO BE GIVEN TO TRANSFERRING MANUFACTURING
PLANT OF A TECHNOLOGICALLY SIMPLE KIND FROM THE
INDUSTRIALIZED NATIONS TO THE OPEC COUNTRIES. THE
PROGRESS MADE IN INDUSTRIALISATION WILL DETERMINE
WHETHER IMPORTS CAN BE RAISED TO MATCH HIGHER OIL
REVENUES. IN THE MEDIUM AND LONG TERM, THESE
COUNTRIES' ABSORPTIVE CAPACITIES ARE LIKELY TO GO ON
INCREASING AS A RESULT OF THE COMPARATIVELY FAVOURABLE
PRE-CONDITIONS FOR ECONOMIC GROWTH.

C. OIL-PRODUCING COUNTRIES WITH LOW PER
CAPITA INCOMES

THESE COUNTRIES ARE, IT IS TRUE, RECEIVING CONSIDERABLE
OIL REVENUES WHICH CAN BE INVESTED AS CAPITAL TO
ACCELERATE DEVELOPMENT. HOWEVER, EVEN IF THE OTHER
PRE-CONDITIONS FOR GROWTH ARE MET, THE ADEQUACY OF
THIS CAPITAL INFLOW SHOULD NOT BE OVER-ESTIMATED IN
VIEW OF THE NUMEROUS DEVELOPMENT TASKS WHICH LIE
AHEAD. ACCELERATING INDUSTRIALISATION WITHIN A
SHORT PERIOD OF TIME WOULD SEEM DIFFICULT. IMPORTS
ARE THEREFORE NOT LIKELY TO RISE PARTICULARLY FAST.
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 065581

INDUSTRIAL CAPACITY IS STILL LARGELY
LACKING AND MUST FIRST BE CREATED. THE INVESTMENT
NEEDED IN INFRASTRUCTURE HAS A HIGH CAPITAL CO-
EFFICIENT AND TAKES A LONG TIME TO PRODUCE RESULTS.
IT IS PROBABLE THAT THESE OPEC COUNTRIES WILL IN
THE MEDIUM AND LONG TERM ABSORB THEIR OIL REVENUES
COMPLETELY AND HAVE TO RELY FOR THE FURTHER
DEVELOPMENT OF THEIR ECONOMIES ON FOREIGN CAPITAL.

B. EFFECTS ON THE STRUCTURE OF THE WORLD ECONOMY
IN THE FIELDS OF TRADE AND INVESTMENT

I. WORLD TRADE

5. TABLE 4 SHOWS THE GLOBAL PATTERN OF INTERNATIONAL
TRADE BETWEEN 1970 AND 1972, AND INCLUDES THE OPEC
COUNTRIES. THE EXPORT SIDE OF THIS PATTERN WILL
ALREADY BE CHANGED IN 1974 AND AFTER BECAUSE OPEC
EXPORTS ARE RISING CONSIDERABLY IN VALUE TERMS.
EXPORT PRICES WILL INCREASE ACCORDINGLY.

E E E E E E E

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, LESS DEVELOPED COUNTRIES, RAW MATERIALS, PETROLEUM, EXPORTS, IMPORTS, FOREIGN RELATIONS, MEETINGS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE065581
Document Source: CORE
Document Unique ID: 00
Drafter: LBUTCHER:MW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740073-1147
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740473/aaaacppw.tel
Line Count: 216
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by boyleja>; APPROVED <05 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECG - PRODUCER/CONSUMER RELATIONS AND RELATIONS WITH DEVELOPING COUNTRIES
TAGS: ENRG, GE
To: LUXEMBOURG MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005